

How eBook Catalogs at Public Libraries Drive Publishers' Book Sales and Profits

Thought Leadership White Paper

Prepared by:

OverDrive®

May 2010
Cleveland, OH
www.overdrive.com

Table of Contents

- I. Introduction
- II. Library eBook experience is different than retail
- III. Discoverability drives revenue
 - Personal recommendation more important to buyers than price
- IV. Library promotions lead to sales
 - Powerful – and free – marketing
 - 1.5 million OverDrive title records
 - Most visitors use library websites for R&D
- V. Libraries can act as on-demand retail sales outlet
 - LibraryBIN.com
- VI. Opportunities for a flexible business model
 - Separate library pricing
- VII. Greater visibility into title usage
 - New tools for publishers
- VIII. Conclusion

Introduction

According to the 2010 State of America's Libraries report, more than 1.4 billion visits were made to US public libraries in 2008¹. Compare that to 78.6 million attendees at Major League Baseball games in the same year, or 13.5 million attendees at Premier League soccer games. With such high traffic volume, public libraries hold sizeable marketing potential for publishers and authors. This prospective reader audience can be captured through discovery on shelves and in catalogs, in addition to author tours, bookmobiles, and book clubs.

Recently, eBook catalogs at library websites have begun growing in significance. OverDrive distributes eBook catalogs to many of its 10,000 library partners worldwide. These eBook catalogs at public library "virtual branch" websites garner thousands of views per day, propagating awareness and mindshare for publishers.

Data presented in this white paper will demonstrate the ability of public libraries to drive sales of print and digital content, with particular emphasis on the following points:

- **Unfulfilled demand.** Library eBook catalogs and budgets are limited and incapable of meeting consumer demand for titles in print or eBook formats.
- **Increased revenue.** Publishers can profit from and improve unit sales of both print and eBook formats through library purchasing and increasing consumer demand, with publisher control on the price libraries pay for content.
- **Copyright holder retains control.** Libraries, authors, and publishers are reliable agents for respecting and honoring copyright, accepting DRM limitations, and utilizing proven use models, e.g. one book per user.
- **Promotion.** Libraries provide highly coveted promotional opportunities for authors, genres, and new formats of reading that generate reviews and legions of loyal patrons, and broaden awareness.
- **Discoverability.** eBook library catalogs multiply title listings and search engine results, and provide large audiences access to discover title information, cover images, reviews, and jacket copy at no cost to publishers and authors.

Public libraries also have helped educate generations of customers who drive adoption of consumer electronic products and sales of digital content. Budgets at public libraries for electronic content are becoming increasingly substantial – \$143 million (and 11 percent of total operating expenditures) according to latest data². OverDrive captures a portion of these budgets for publishers with eBook catalogs, serving an existing customer base and also bringing in the next generation of readers.

¹ http://www.ala.org/ala/newspresscenter/mediapresscenter/americaslibraries/ALA_Report_2010-ATI001.pdf

² <http://harvester.census.gov/imls/index.asp>

Library eBook experience is different than retail

Just as the experience with a physical library is not the same as visiting a bookstore, library and retail download experiences are not the same either. Unlike retail:

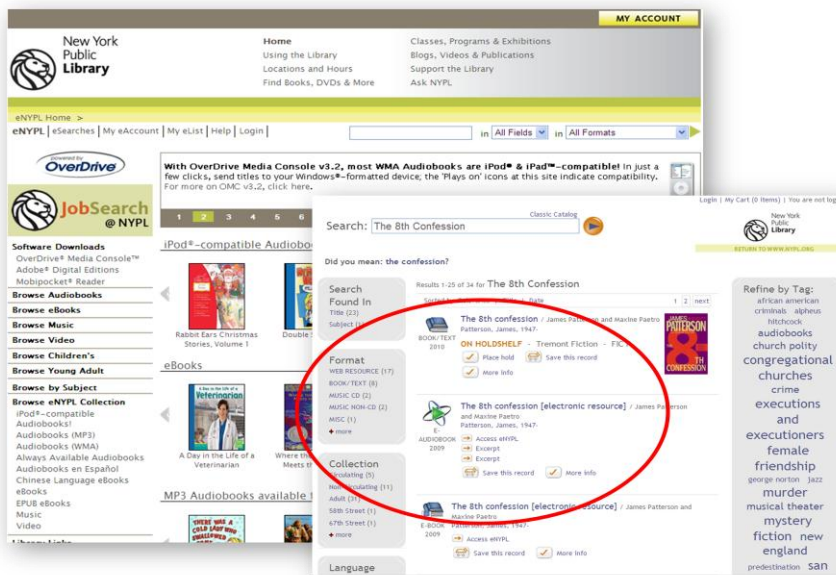
- **Expiration.** Content available from the library has an expiration date, after which the content is no longer accessible by the library patron.
- **Protection.** Each title is wrapped in industry-standard DRM protection to prevent peer-to-peer file sharing. Content owners can restrict printing and copy-paste functions. At the end of a patron's limited lending period, DRM-protected files will expire. All source files are hosted and remain on OverDrive's secure servers.
- **Authentication.** Patrons need a valid library card from the library to access the content. Libraries require patrons to have a relationship with the library to receive a library card, which is sometimes evidenced by a utility bill or other indication of their residence in the service area. This is a barrier to many potential patrons, whose next click after realizing this requirement is to buy the physical or digital version of the materials from an online retailer.
- **One title per user.** As dictated by publishers, the use of eBook content is available to library patrons on a one title per user model. That is, the number of patrons who may check out the material is limited to the number of units a library has at its "virtual branch." There is no simultaneous checkout or download for this model.

Discoverability drives revenue

Publishers have invested time and money to support the conclusion that awareness leads to sales, with online and offline advertising, search engine optimization, book widgets, promotional offers, author and title Facebook pages, and other social media campaigns. Discoverability in this interconnected age drives sales. In fact, according to a recent survey by Verso Advertising, close to 60 percent of book buyers name "search engine results" as the most useful factor in purchasing³. With more than 1.5 million title records across its network of "virtual branch" websites, OverDrive powers Online Public Access Catalog (OPAC) record proliferation, ensuring title data is communicated to millions of users. Frequently bookmarked, OPAC records are a trusted resource for patrons and consumers across the Web.

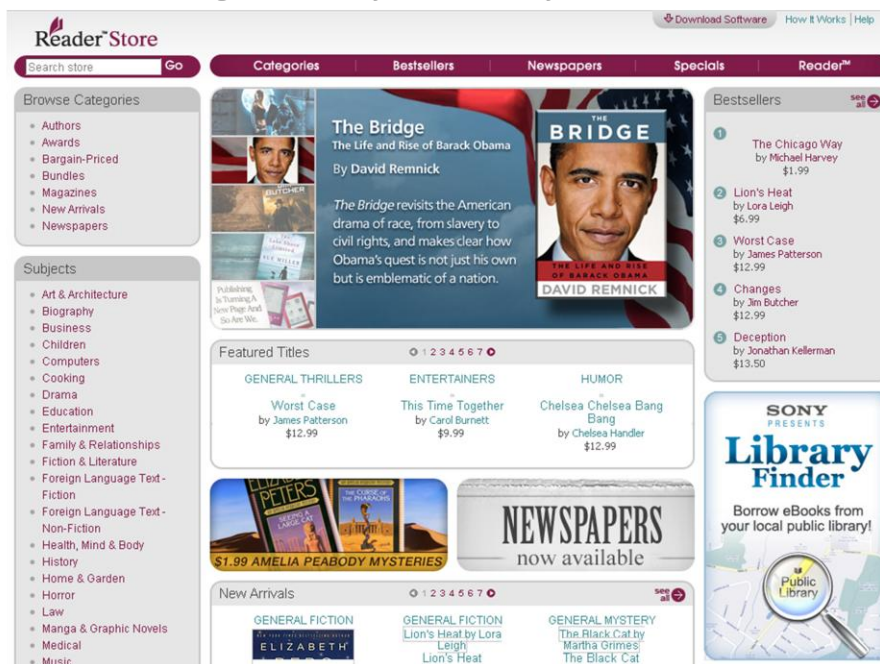
³ www.versoadvertising.com/survey

Figure 1: OPAC records at eNYPL.org



Sony Electronics has realized the market power presented by public libraries. At Sony's retail eBookstore, the Reader™ Store, Sony has a Library Finder application promoting the availability of eBooks at libraries and Sony Reader's compatibility with eBooks checked out from libraries. Sony has used this compatibility as a distinguishing factor to drive both device and retail eBook sales.

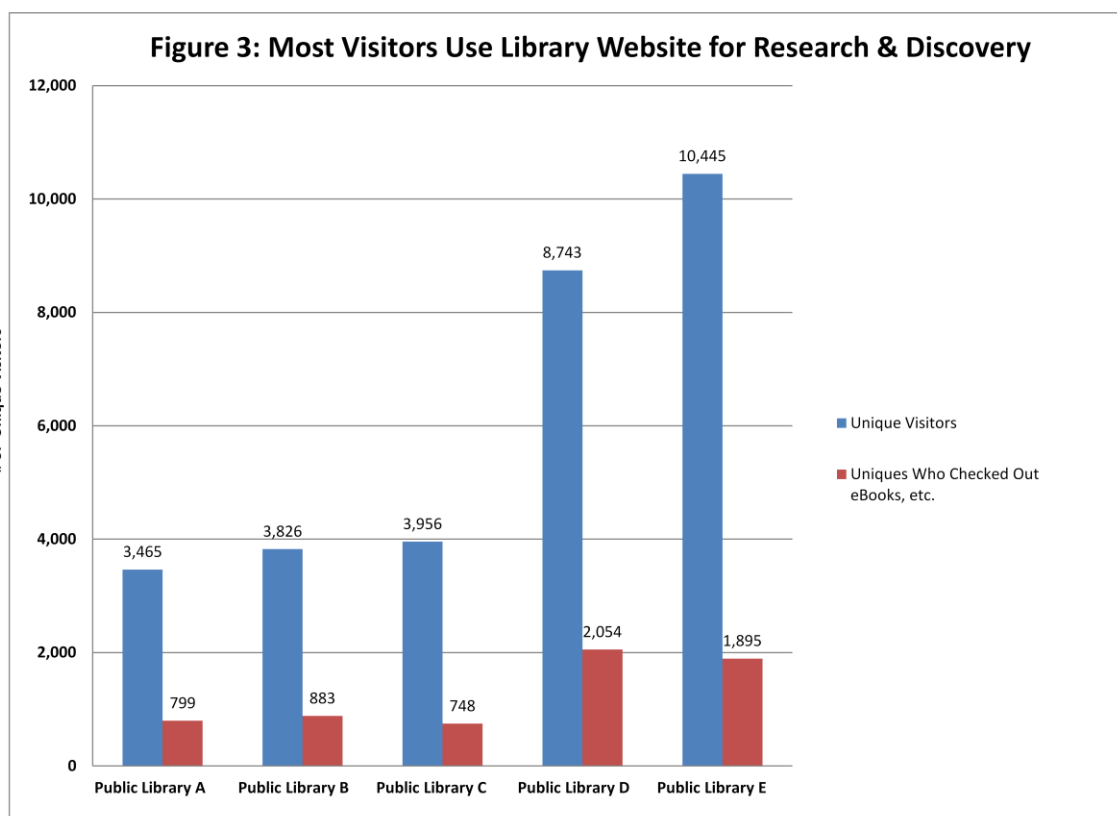
Figure 2: Library Finder at Sony Reader™ Store



Moreover, in a market where eBook selling price is hotly debated, buyers deem personal recommendation a greater purchasing factor than price⁴. Libraries with “virtual branch” websites serve as a powerful recommendation engine. Library patrons are able to post recommendations of their favorite titles to Twitter and Facebook. OverDrive library partners provide this entire ecosystem for title discoverability – all at no cost to publishers.

Library promotions lead to sales

Publishers already know libraries to be a powerful marketing tool. Penguin’s runaway hit, *Eat, Pray, Love* (Viking), was published in February 2006 with an initial run of 30,000 hardcover copies. The title didn’t become a bestseller until March 2007. In the meantime, copies of *Eat, Pray, Love* changed hands thousands of times through book clubs and libraries, scoring rave reviews from *Library Journal* and stirring up chatter among leading library blogs such as Memphis Public Library and San Mateo Public Library. Thanks to word-of-mouth marketing and library lending, when the paperback hit newsstands, *Eat, Pray, Love* sales skyrocketed.



© 2010 OverDrive, Inc. Data based on a snapshot of select OverDrive-powered libraries in 2009.

It’s this same networking and exposure through “virtual branch” libraries that drives retail sales of eBooks. OverDrive data shows that most visitors use download library websites for

⁴ www.versoadvertising.com/survey

research and discovery (Figure 2). In 2009, end-users viewed 401 million OverDrive download library website pages. Among unique visitors to these download library pages, 80 percent did not check out a digital title, yet still visited 13 pages on average. OverDrive also found through a library patron survey that 43 percent of patrons would consider purchasing an eBook or audiobook if the title they sought were unavailable at their library branch⁵.

While digital sales to libraries are strong and continue to grow, the demand for popular titles cannot be met by the relatively few DRM-protected, expiring copies available to patrons at libraries, even at major metropolitan libraries. In 2009, Toronto Public Library, one of the largest and busiest North American libraries with a legal service population of 2.5 million, purchased close to 1,000 copies of *The Lost Symbol* in multiple formats⁶:

- 800 copies of the print version
- 76 copies of the audiobook
- 83 copies of large print
- 15 copies of the eBook
- 15 copies of the digital audiobook

While more than 900 print copies of the book were purchased for Toronto's library patrons, just 3 percent of the total order (30 copies) were eBooks and digital audiobooks for the library's "virtual branch." These 30 digital copies have garnered more than 2,500 online page views since *The Lost Symbol's* release in September 2009.

Similarly, New York Public Library owns two eBook copies of Sarah Blake's *The New York Times* Best Seller, *The Postmistress*. Throughout the month of February, these two copies were checked out and therefore not available for others to borrow. However, during February, *The Postmistress* eBook title page at New York Public Library was viewed 53 times. Each viewer who was unable to check out and download the eBook was able to glean additional information about the title. Libraries are simply not meeting demand for eBooks, but they are whetting the consumer appetite.

Libraries can act as on-demand retail sales outlet

Sales of eBooks are growing faster than any format, including print. The American Association of Publishers (AAP) reported a 2009 increase in eBook sales of 176.6 percent, for a total of \$169.5 million⁷. OverDrive research shows that 43 percent of visitors leave library sites immediately after viewing titles⁸. These visitors may be clicking over to an eBookstore, or a traditional bookseller's website. For library browsers whose intent may be to purchase content, not borrow it, OverDrive has created an outlet to capture those sales.

⁵ OverDrive patron survey, April 2010

⁶ <http://www.libraryjournal.com/blog/1010000101/post/320049032.html>

⁷ http://www.publishersweekly.com/article/450299-E_Book_Sales_Jump_176_in_Flat_Trade_Year.php

⁸ Data based on select OverDrive-powered libraries from 9/13/09 to 9/19/09.

In November 2009, OverDrive announced LibraryBIN (**Buy It Now**), www.librarybin.com, an online digital bookstore offering a comprehensive selection of eBooks for instant purchase and download. Participating OverDrive partner public libraries link to LibraryBIN from their OverDrive-hosted websites, encouraging patrons to click over to this new digital book retail destination. In this way, OverDrive builds on a well-established user base, directing patrons interested in download media to acquire and purchase eBooks. Retail outlets such as LibraryBIN reinforce that library sales do not come at the expense of retail sales – rather, library availability enhances retail sales.

Opportunities for a flexible business model

Libraries pay for access to the digital materials available from 1,000 publishers through OverDrive. Although the content is typically free to library patrons, the library pays OverDrive, who in turn pays publishers for each copy made available for license by the library. This model closely resembles the typical physical wholesale distribution relationship.

OverDrive offers publishers a flexible business model by way of separate library pricing. As part of the content ingestion process, OverDrive can accept a library price, which is separate and usually higher than the retail price, in the metadata directly from publishers. Typically, publishers apply this library price to their frontlist content. The price points can be a set percentage of the retail price, or OverDrive will accept a unique library price for each title.

Greater visibility into title usage

OverDrive will be launching in 2010 a series of applications and widgets to provide its publishing partners a window into sales activity and title transaction information. One such widget, OverDrive Dashboard™, will provide publishers with valuable, instant information, including real-time statistics and charts for eBook catalogs. Publishers can use OverDrive Dashboard to analyze pertinent information and identify relevant trends to manage and optimize digital business.

Conclusion

As the market for eBooks continues to develop, the significance of public libraries will grow. Sales of eBooks to public libraries provide publishers with incremental revenue to supplement retail sales of print and digital books. As budgets for digital media at public libraries increase, eBook catalogs will drive sales of print and electronic media. The significant searchability, discovery, and exposure of publishers' digital content in library catalogs will create more demand in all formats.

About OverDrive, Inc.

OverDrive is a leading full-service digital distributor of eBooks, audiobooks, music, and video. We deliver secure management, DRM protection, and download fulfillment services for hundreds of publishers and thousands of libraries, schools, and retailers, serving millions of end users. OverDrive has been named to the EContent 100 as a company that matters most in the digital content industry. Founded in 1986, OverDrive is based in Cleveland, OH. www.overdrive.com